

House Communications Subcommittee Chairman Rick Boucher (D-Va.) is circulating a draft of a bill that would extend the Universal Service Fund to broadband and set a minimum speed of service to qualify for the subsidy. A Nov. 17 hearing has been scheduled on the bill. Currently that industry-supported fund pays to extend phone service to hard or too-costly-to-reach places. There has been almost universal agreement that the fund had major problems, and that it would need to be extended to broadband, the new lifeline service.

"The Universal Service Fund is broken. Consumers currently pay more than twelve percent of long distance revenues into the fund, and that number will jump to more than fourteen percent next year," said Boucher and bill co-sponsor Lee Terry (R-Neb.). "Our discussion draft is a comprehensive and forward-looking measure, which will control the spiraling growth of the Universal Service Fund while ensuring that universal service support is available to the carriers which rely on it to provide service. The measure will expand who pays into the Fund, cap the growth of the Fund and modernize the Fund by allowing its use for the deployment of high speed broadband service."

The bill, The Universal Service Reform Act, would require fund recipients to offer broadband at a download rate of 1.5 mbps within five years. That's twice the FCC's current definition of high speed, but less than many parties argue will be necessary for some of the bandwidth-hunger apps either in the market or on the drawing board.

Contributions would be based on revenues, phone numbers, or a combination of the two, with that call left up to the FCC. If it chooses revenues, those can be based on intrastate, interstate and "foreign" services.

The fund will create a competitive bidding process for wireless carriers and cap the total growth, with a couple of exceptions. One will be the closing of the so-called "parent trap." The fund has heretofore capped the payments to a carrier who buys phone exchanges to the amount the previous owner was getting. That rule would be eliminated in the hopes of spurring sales to rural carriers.

The National Cable & Telecommunications Association separately asked the FCC this week to reform the fund by creating a process by which to survey whether there is wireline competition, including from cable, in areas currently getting subsidies, and reduce those subsidies accordingly. It projected up to \$2 billion in savings, which it added could be used to help expand the fund to cover broadband.

The commission is planning on making recommendations for USF reform part of its national broadband rollout plan.

"AT&T applauds Chairman Boucher and Rep. Terry for their determined efforts to protect the communications needs of rural citizens," said AT&T Executive VP of federal relations Tim McKone. "The discussion draft of the Universal Service Reform Act of 2009 introduced today

recognizes that we cannot accomplish President Obama's goal of universal and affordable broadband for all Americans without also fixing the federal universal service fund (USF)."

"We're especially supportive of the Universal Service Reform Act of 2009 because it is focused on modernizing the USF so that rural Americans can fully participate in and equally benefit from a broadband society. "

